

New Federal Law Gives 65% off COBRA Premium

Beginning March 1, 2009, many laid-off workers will only have to pay 35% of their COBRA premiums for a nine month period. If you are eligible, under the new American Recovery and Reinvestment Act (ARRA) you will pay 35% and the federal government will reimburse your employer for the remaining 65% of the premium for that period.

Q1. Am I eligible for the reduced COBRA premium?

A. You (and your spouse and dependents) are eligible for the reduced COBRA premium if –

1. You were covered by your employer's health plan on the last day of your work,
2. You were involuntarily terminated from your job between September 1, 2008 and December 31, 2009.
3. You sign up for COBRA coverage after you lost your job or you sign up in the 60 days period after you get a new notice of a second chance to sign up (see Q5, below).
4. You are not eligible for Medicare or for other group health coverage such as through a spouse or another employer, and
5. Your modified adjusted gross income is below \$145,000 or \$290,000 for those filing joint tax returns. (If your income exceeds \$125,000 or \$250,000 for those filing joint returns, you may have to pay some or all of the subsidy back if you take it.)

Q2. What is COBRA?

A. A federal law known as COBRA requires employers with 20 or more employees to offer employees who lost their jobs (unless terminated for "gross misconduct") the chance to continue in the employer's group health insurance plan for up to 18 months (sometimes spouses and dependents are eligible for longer). This won't apply, of course, if your former employer went out of business and no longer offers health coverage. Usually, if you sign up for COBRA coverage, you pay for the full cost for yourself and your dependents, but if you are eligible for the subsidy, you only have to pay 35% for nine months.

Maine also has a "mini-COBRA" law for smaller employers. If you have an injury or illness that makes you eligible for workers compensation or if you have been *temporarily* laid off from an employer with fewer than 20 employees, you may be able to continue your coverage for up to 12 months. If you are eligible for the subsidy, then you would pay only 35% of this premium for nine months too. The Maine Bureau of Insurance has more information on this at www.maine.gov/pfr/insurance/federal_stimulus/cobra_faqs.htm.

Q3. I just lost my job, how do I sign up for COBRA and the reduced premium?

A. If you are eligible for COBRA you will get a notice within about 45 days from the time you left your job. The notice will give you 60 days to send in the COBRA election form to sign up for COBRA. (Only 31 days, if you are being offered Maine's "mini-COBRA" coverage). It should also include a form to fill out to request the premium reduction. You do not have to pay your premium when you first sign up. The notice should state the amount and when it is due. You will likely be responsible for the premium back to the date you lost your job. If you are eligible for the premium reduction, you will only have to pay 35% of it for nine months.

Q4. How does the premium reduction work?

A. You will pay only 35% of the premium to either your employer or the health insurance plan (the notice will tell you where to send it). Your employer or insurer pays the remaining 65% for the health insurance, but then deducts that amount from payroll taxes they pay to the federal government. This reimburses them for their up-front cost.

Q5. I lost my job after September 1, 2008, but didn't sign up for COBRA, can I sign up now and get the premium reduction?

A. Yes, if you are eligible. If you were eligible for COBRA, but didn't take it (or took it and later dropped the coverage) and if you were involuntarily terminated from your job, you will get a new notice giving you a second chance to sign up for COBRA and for the premium reduction. Your former employer or health plan must send this notice by April 18, 2009.

Q6. I already signed up for COBRA and am paying the full premium, how do I apply for the premium reduction?

A. You should also receive a notice from your health plan, sent by April 18, 2009, giving you the chance to apply for the premium reduction. If you are eligible, your premium reduction should date back to March 1st and you should be credited with or reimbursed for any amount you overpaid.

Q7. Even 35% of the premium is more than I can afford, what do I do for health coverage?

A. There may be other help available. At this time Maine's legislature is considering a proposal to help reduce your cost even more. Watch the news and or call the Dirigo Health Agency to find out if it is available at 1-877-892-8391.

Also, check to see if you may be eligible for MaineCare or other health care help. More information about health care resources is available at <http://www.maine cahc.org/foundation/healthcarecoverage.htm> or call Consumers for Affordable Health Care 1-800-965-7476. You may also try dialing 211 for a referral for help in your area.

If you have had a health condition, you should try not to be uninsured for more than 63 days because you risk being excluded by insurance companies from coverage for that condition when you try to get insurance in the future. If you take the second chance to sign up for COBRA (described in Q5), however, the time between your job loss and February 17, 2009 will not count toward the 63 days.

Q8. I lost my job from a company that was certified as being impacted by global trade. Isn't my health care premium reduced even more than 35%?

A. Yes. You may be eligible to pay even less than 20% of your health care premium through a combination of the federal Health Coverage Tax Credit (HCTC) and help from the Dirigo Health Agency. For more information about this, contact Julie Condon 1-888-457-8883. If you are not sure if your lay-off will be certified as impacted by trade, it is alright to sign up for the 35% premium reduction, then switch to the HCTC when it becomes available. You may not, however, receive both the HCTC and the COBRA premium reduction in the same month.